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News Release

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BUDGET 2004: HEALTH CARE, LEARNING AND COMMUNITIES

Budget 2004 takes the first step in the Government's new agenda of achievement for Canada, Minister of Finance Ralph Goodale said today in introducing his inaugural budget.

"Today, I am presenting a focused budget plan with two clear objectives," Minister Goodale told the House of Commons. "First, to demonstrate unequivocally the principles of financial responsibility and integrity; and second, to begin to give tangible shape to the goals presented in the Speech from the Throne."

While making new investments in public health, learning, research and development, and a New Deal for our communities, Budget 2004 maintains Canada's record of balanced budgets or better.

Among the key initiatives of the budget are:

- The seventh consecutive balanced budget is projected for 2003-04, the first time since Confederation. Balanced budgets or better are forecast for 2004-05 and 2005-06.
- Improving expenditure control and oversight by implementing a comprehensive plan, including the re-establishment of the Office of the Comptroller General of Canada.
- Confirming the payment of an additional \$2 billion in health care funding for the provinces and territories in the 2003-04 fiscal year. As part of the Government's commitment to provide stable, long-term health care funding, cash transfers to the provinces and territories for health and social programs will reach \$28.1 billion in 2007-08, representing an average annual increase of \$1.8 billion, of 8 per cent per year, starting from 2003-04.



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- Establishing the Canada Public Health Agency to ensure that effective surveillance and crisis response systems are in place to better deal with major public health problems.
- Speeding up the implementation of the agreement with the provinces and territories to provide better access to affordable, quality early learning and child care programs.
- Providing a new Canada Learning Bond of up to \$2,000 for every child, born after 2003, in a family that is entitled to the National Child Benefit (NCB) supplement. An initial \$500 bond will be provided, with subsequent \$100 annual instalments for children, until age 15, in each year that the family is entitled to the NCB supplement.
- Boosting funding for Canada's three federal granting councils to help foster knowledge and innovation, as well as \$270 million to provide venture capital for start-up companies in key emerging sectors.
- Implementing the Government's commitment to fully rebate the goods and services tax (GST) paid by municipalities, effective February 1, 2004. This will provide municipalities with \$7 billion in GST relief over the next 10 years.
- Investing \$4 billion over 10 years to clean up contaminated sites across Canada.
- Giving an income tax exemption to Canadian Forces personnel and police serving on high-risk international missions.

The Minister also noted that the Organisation for Economic Co-operation and Development predicts Canada will be the only Group of Seven (G-7) nation to post a budget surplus in 2004 for the third consecutive year.

"What we will do is balance the books and better control spending because Canadians have come too far and sacrificed too much to slide back into the glue of red ink and deficits," Minister Goodale said.

The Government will maintain its Contingency Reserve at \$3 billion and set aside an additional \$1 billion in economic prudence in both 2004-05 and 2005-06.

From a fiscal perspective, Budget 2004 sets the objective of bringing Canada's debt-to-GDP (gross domestic product) ratio down to 25 per cent within 10 years. Achieving this target will require the Government to

continue to reallocate its resources and to manage expenditures in a way that reflects the priorities of Canadians.

The Government has secured \$1 billion of reallocation from existing spending in 2004–05 and beyond.

As well, the Cabinet Committee on Expenditure Review is examining all programs to identify \$3 billion annually in savings within four years for reinvestment in the priorities of Canadians and improving government management.

After a series of shocks that slowed economic activity in 2003, private sector economists expect growth to rebound from 1.7 per cent last year to 2.7 per cent in 2004 and 3.3 per cent in 2005.

Highlights of Budget 2004 are attached. Further information can be obtained by visiting the Department of Finance Web site or by phoning 1 800 O CANADA (1 800 622-6232) or 1 800 465-7735 (TTY for the hearing impaired).

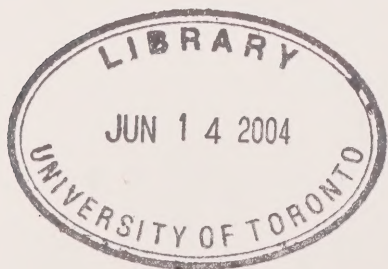
For further information:

Andrée Houde
Public Affairs and Operations
Division
(613) 996-8080

Pat Breton
Press Secretary
Office of the Minister of Finance
(613) 996-7861

www.fin.gc.ca

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Budget 2004—New Agenda for Achievement

Economic Developments and Prospects

- During 2003 economic activity in Canada slowed because of a series of unforeseen shocks. As a result, real gross domestic product (GDP) expanded by only 1.7 per cent for the year, well below the 3.2 per cent expected by private sector economists at the time of the 2003 budget.
- Nevertheless, strength in domestic demand through most of the year, supported by low interest rates, helped offset the weakness in exports.
- Canada's labour market strengthened in the latter part of 2003. Since December 2002 the economy has created 271,900 new jobs, all full-time.
- Solid domestic fundamentals, low interest rates and a more favourable global environment, particularly a stronger U.S. economy, are expected to support more robust Canadian economic growth this year.
- Private sector economists expect the Canadian economy to grow by an average of 2.7 per cent in 2004, significantly better than last year but still well below the 3.5 per cent forecast at the time of the 2003 budget.
- Private sector economists expect a further pickup in growth to 3.3 per cent in 2005.
- There are two main risks to the Canadian economic outlook:
 - The uncertainty surrounding the economic impact of the rapid rise of the Canadian dollar.
 - The sustainability of the U.S. economic recovery.

Sound Financial Management

- The seventh consecutive balanced budget is confirmed for 2003–04, the first time since Confederation, and balanced budgets or better are forecast for 2004–05 and 2005–06.
- The \$3-billion Contingency Reserve is maintained and \$1 billion in economic prudence restored for 2004–05 and 2005–06.
- The federal debt-to-GDP ratio is expected to fall to 42 per cent in 2003–04, down from its peak of 68.4 per cent in 1995–96. The ratio is forecast to decline to 38 per cent by 2005–06.
- To be in a better position to deal with pressures related to an aging population, the Government has set a new objective of reducing the federal debt-to-GDP ratio to 25 per cent within 10 years.
- In this budget, program expenses are projected to grow an average of 4.4 per cent in 2004–05 and 2005–06, roughly in line with projected growth in the economy.
- As part of instituting a new management approach in government, this budget implements \$1 billion in annual reallocation from existing spending in 2004–05 and beyond to meet Budget 2003 commitments.
- As well, the Cabinet Committee on Expenditure Review is examining all programs to identify at least \$3 billion annually in savings within four years for reinvestment in the priorities of Canadians while improving government management.
- Furthermore, a new plan for better spending management and oversight is being introduced by the President of the Treasury Board, which includes re-establishing the Office of the Comptroller General of Canada, strengthening departmental comptrollers and internal audits.
- The Government intends to sell its remaining shares in Petro-Canada in 2004–05.

Moving Forward on the Priorities of Canadians

The Importance of Health

- Confirmation of an additional \$2 billion for the provinces and territories for health, bringing to \$36.8 billion the funding provided under the February 2003 First Ministers' Accord on Health Care Renewal.
- Establishment of a new Canada Public Health Agency as a focal point for disease control and emergency response.
- Immediate funding of \$665 million in this fiscal year and over the next two years to improve Canada's readiness to deal with public health emergencies. This is in addition to the approximately \$400 million to be transferred from Health Canada to the new Canada Public Health Agency.
- Improved tax fairness for Canadians with disabilities and caregivers.
- Increased funding of \$30 million annually to support employment assistance programming delivered by provinces and territories for Canadians with disabilities.

The Importance of Learning

- Introduction of a new Canada Learning Bond, which will provide up to \$2,000 for children in low-income families born after 2003 for post secondary education.
- Enhancement of the Canada Education Savings Grant matching rate for low- and middle-income families.
- Introduction of a new grant of up to \$3,000 for first-year, post-secondary dependent students from low-income families.
- Introduction of an up-front annual grant of up to \$2,000 for post-secondary students with disabilities.
- Increase in the ceiling for Canada Student Loans to \$210 a week from \$165.
- Increase in the income thresholds used for determining eligibility for student loan interest relief.

- Increase in the maximum amount of debt reduction for students facing financial difficulty to \$26,000 from \$20,000.
- Extension of the education tax credit to employees who pursue career-related studies at their own expense.
- Investment of \$125 million over five years for the Aboriginal Human Resources Development Strategy.
- Doubling to \$50 million support for the Urban Aboriginal Strategy.

The Importance of Knowledge and Commercialization

- Annual increase of \$90 million to Canada's three federal granting councils.
- Increase of \$20 million annually to help offset the indirect costs of research by universities and research hospitals.
- An additional \$60 million to Genome Canada to strengthen its research.
- Additional funding to improve the capacity for commercialization at universities, hospitals and other research facilities.
- New funding of \$270 million set aside to enhance access to venture capital financing for companies turning promising research into new products and services.
- Acceleration by one year, from 2006 to 2005, of the increase in the small business deduction limit to \$300,000.
- Increase in the capital cost allowance rate for computer equipment to 45 per cent from 30 per cent, and in the rate for broadband, Internet and other data network infrastructure equipment to 30 per cent from 20 per cent.

The Importance of Communities

- \$7 billion in GST/HST relief for municipalities of all sizes over the next 10 years.
- Acceleration of the \$1-billion Municipal Rural Infrastructure Fund, with spending over the next 5 years instead of 10.

- A stronger voice for municipalities in federal decisions that affect them.
- New funding of \$15 million a year in support of enhanced language training to reduce labour market barriers faced by immigrants.
- Increased funding for the Urban Aboriginal Strategy.
- Funding of \$4 billion over 10 years to clean up contaminated sites.
- New funding (\$1 billion over 7 years) to support the development and commercialization of new environmental technologies, reflecting the sale of Petro-Canada.
- More effective tax rules for registered charities and ongoing support for the Voluntary Sector Initiative.
- Increased support for community-based economic development and the social economy.

The Importance of Canada's Relationship to the World

- An additional \$250 million to cover the costs of Canada's participation in peacekeeping missions in Afghanistan and the fight against terrorism.
- An additional \$50 million for Canada's participation in the peacekeeping force in Haiti.
- Additional capital funding in 2005–06 to advance priority capital investments.
- Exemption from tax of the income earned by Canadian Forces personnel and police on high-risk international missions.
- Commitment of a further \$605 million to address security issues.
- A reduction in the Air Travellers Security Charge.
- An increase of \$248 million, or 8 per cent, in international assistance in 2005–06.